

PERAC AUDIT REPORT



Framingham Contributory Retirement System

JAN. 1, 2004 - DEC. 31, 2006



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

April 27, 2007

The Public Employee Retirement Administration Commission has completed an examination of the Framingham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2004 to December 31, 2006. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the Framingham Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2006	2005	2004
Net Assets Available For Benefits:			
Cash	\$567,020	\$363,796	\$83,395
PRIT Cash Fund	705,821	524,307	447,013
PRIT Core Fund	196,496,402	170,882,710	154,451,543
Interest Due and Accrued	0	0	0
Accounts Receivable	0	0	0
Accounts Payable	(2,418)	(1,615)	(2,715)
Total	<u>\$197,766,825</u>	<u>\$171,769,198</u>	<u>\$154,979,236</u>
Fund Balances:			
Annuity Savings Fund	\$43,354,134	\$40,400,294	\$38,812,046
Annuity Reserve Fund	13,907,018	13,734,166	12,936,332
Pension Fund	(1,710,750)	2,361,029	5,784,817
Military Service Fund	4,866	4,837	4,808
Expense Fund	0	0	0
Pension Reserve Fund	142,211,558	115,268,873	97,441,233
Total	<u>\$197,766,825</u>	<u>\$171,769,198</u>	<u>\$154,979,236</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2004)	\$36,406,619	\$13,298,712	\$6,156,543	\$4,779	\$0	\$82,466,962	\$138,333,615
Receipts	4,577,151	387,932	8,269,745	29	803,762	18,486,364	32,524,982
Inter Fund Transfers	(1,085,114)	1,078,463	3,518,744	0	0	(3,512,093)	0
Disbursements	(1,086,609)	(1,828,775)	(12,160,215)	0	(803,762)	0	(15,879,361)
Ending Balance (2004)	38,812,046	12,936,332	5,784,817	4,808	0	97,441,233	154,979,236
Receipts	5,026,271	402,464	9,420,643	29	1,105,062	17,827,703	33,782,173
Inter Fund Transfers	(2,388,887)	2,388,950	0	0	0	(64)	0
Disbursements	(1,049,136)	(1,993,581)	(12,844,432)	0	(1,105,062)	0	(16,992,211)
Ending Balance (2005)	40,400,294	13,734,166	2,361,029	4,837	0	115,268,873	171,769,198
Receipts	5,563,646	415,839	9,253,636	29	1,268,674	26,942,685	43,444,509
Inter Fund Transfers	(1,769,852)	1,769,852	0	0	0	0	0
Disbursements	(839,954)	(2,012,839)	(13,325,415)	0	(1,268,674)	0	(17,446,882)
Ending Balance (2006)	<u>\$43,354,134</u>	<u>\$13,907,018</u>	<u>(\$1,710,750)</u>	<u>\$4,866</u>	<u>\$0</u>	<u>\$142,211,558</u>	<u>\$197,766,825</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005	2004
Annuity Savings Fund:			
Members Deductions	\$4,228,262	\$3,974,292	\$3,850,569
Transfers from Other Systems	1,020,757	704,857	376,748
Member Make Up Payments and Re-deposits	84,419	124,309	136,722
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	<u>230,207</u>	<u>222,814</u>	<u>213,112</u>
Sub Total	<u>5,563,646</u>	<u>5,026,271</u>	<u>4,577,151</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>415,839</u>	<u>402,464</u>	<u>387,932</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	274,927	255,369	248,682
Received from Commonwealth for COLA and Survivor Benefits	533,225	1,119,451	291,113
Pension Fund Appropriation	<u>8,445,484</u>	<u>8,045,824</u>	<u>7,729,951</u>
Sub Total	<u>9,253,636</u>	<u>9,420,643</u>	<u>8,269,745</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>29</u>	<u>29</u>	<u>29</u>
Sub Total	<u>29</u>	<u>29</u>	<u>29</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>1,268,674</u>	<u>1,105,062</u>	<u>803,762</u>
Sub Total	<u>1,268,674</u>	<u>1,105,062</u>	<u>803,762</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	109,447	115,908	89,620
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	6,173	32,385	13,432
Miscellaneous Income	0	0	0
Excess Investment Income	<u>26,827,065</u>	<u>17,679,410</u>	<u>18,383,313</u>
Sub Total	<u>26,942,685</u>	<u>17,827,703</u>	<u>18,486,364</u>
Total Receipts	<u>\$43,444,509</u>	<u>\$33,782,173</u>	<u>\$32,524,982</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2006	2005	2004
Annuity Savings Fund:			
Refunds to Members	\$469,482	\$583,053	\$524,148
Transfers to Other Systems	<u>370,472</u>	<u>466,082</u>	<u>562,462</u>
Sub Total	<u>839,954</u>	<u>1,049,136</u>	<u>1,086,609</u>
Annuity Reserve Fund:			
Annuities Paid	2,006,233	1,926,113	1,759,515
Option B Refunds	<u>6,606</u>	<u>67,467</u>	<u>69,259</u>
Sub Total	<u>2,012,839</u>	<u>1,993,581</u>	<u>1,828,775</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	9,452,046	9,045,974	8,638,208
Survivorship Payments	582,375	566,203	543,813
Ordinary Disability Payments	249,712	261,854	271,031
Accidental Disability Payments	1,930,409	1,836,235	1,676,677
Accidental Death Payments	653,151	665,753	615,424
Section 101 Benefits	53,053	56,629	58,761
3 (8) (c) Reimbursements to Other Systems	404,668	411,785	356,301
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>13,325,415</u>	<u>12,844,432</u>	<u>12,160,215</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	143,543	170,434	174,178
Legal Expenses	5,591	6,352	2,909
Medical Expenses	0	0	0
Travel Expenses	3,289	2,662	2,312
Administrative Expenses	41,808	27,161	23,493
Furniture and Equipment	10,167	11,617	642
Management Fees	1,053,680	876,146	588,635
Fiduciary Insurance	<u>10,596</u>	<u>10,690</u>	<u>11,595</u>
Sub Total	<u>1,268,674</u>	<u>1,105,062</u>	<u>803,762</u>
Total Disbursements	<u>\$17,446,882</u>	<u>\$16,992,211</u>	<u>\$15,879,361</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005	2004
Investment Income Received From:			
Cash	\$116,355	\$10,996	\$3,784
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	6,069,120	5,254,668	4,791,752
Commission Recapture	0	0	0
Total Investment Income	<u>6,185,475</u>	<u>5,265,665</u>	<u>4,795,536</u>
Plus:			
Realized Gains	12,467,429	9,816,350	9,408,549
Unrealized Gains	16,853,633	16,369,240	13,298,060
Interest Due and Accrued on Fixed Income Securities - Current Year	0	0	0
Sub Total	<u>29,321,062</u>	<u>26,185,590</u>	<u>22,706,609</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	0	0	0
Unrealized Loss	(6,764,723)	(12,041,476)	(7,713,998)
Interest Due and Accrued on Fixed Income Securities - Prior Year	0	0	0
Sub Total	<u>(6,764,723)</u>	<u>(12,041,476)</u>	<u>(7,713,998)</u>
Net Investment Income	<u>28,741,814</u>	<u>19,409,779</u>	<u>19,788,147</u>
Income Required:			
Annuity Savings Fund	230,207	222,814	213,112
Annuity Reserve Fund	415,839	402,464	387,932
Military Service Fund	29	29	29
Expense Fund	<u>1,268,674</u>	<u>1,105,062</u>	<u>803,762</u>
Total Income Required	<u>1,914,748</u>	<u>1,730,369</u>	<u>1,404,835</u>
Net Investment Income	<u>28,741,814</u>	<u>19,409,779</u>	<u>19,788,147</u>
Less: Total Income Required	<u>1,914,748</u>	<u>1,730,369</u>	<u>1,404,835</u>
Excess Income To The Pension Reserve Fund	<u>\$26,827,065</u>	<u>\$17,679,410</u>	<u>\$18,383,313</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2006			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$567,020	0.3%	100%
PRIT Cash Fund	705,821	0.4%	100%
PRIT Core Fund	<u>196,496,402</u>	<u>99.4%</u>	100%
Grand Total	<u>\$197,769,243</u>	<u>100.0%</u>	

For the year ending December 31, 2006, the rate of return for the investments of the Framingham Retirement System was 16.83%. For the five-year period ending December 31, 2006, the rate of return for the investments of the Framingham Retirement System averaged 11.07%. For the twenty-two year period ending December 31, 2006, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Framingham Retirement System was 11.10%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Framingham Retirement System submitted supplementary investment regulations, which were approved by PERAC on various dates. After transferring their investments into the PRIT fund, these regulations are no longer applicable:

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Framingham Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, s. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age".

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$611.28 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Framingham Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 12, 1984

1. Each September and January, verification is required from the educational institution that a dependent over the age of eighteen is currently enrolled as a full time student, verification must be furnished on the last date he/she attended classes.
2. Effective April 1, 1981, all new employees who are employed a minimum of twenty (20) hours per week, must become members of the Framingham Retirement System.
3. Creditable Service for part-time employees shall be prorated as it bears against full-time service.
4. To maintain ten-thousand dollars (\$10,000) in a specified bank and to issue a check each week for any available excess funds to be forwarded to the Massachusetts Municipal Depository Trust Company until such funds are required to meet expenses.
5. To transfer any funds necessary to meet expenses as such funds are required, from the Massachusetts Municipal Depository Trust Company to a specified bank.
6. That the rules and regulations to implement the provisions of Section 99 of Chapter 32 of the Massachusetts General Laws, shall be as follows
 - .-The implementation of Section 99 shall be handled by the Framingham Retirement Board.
 - .-That the advance payments shall be at the option of the retiree on an estimated basis.
 - .-That the advance payments shall not exceed 80% of the amount due.
 - .-That the advance payments shall be paid by the Framingham Retirement System.
 - .-That the advance payments shall be for superannuation retirements only.

February 28, 1986

“Merit payments are not considered regular compensation for retirement purposes but considered a bonus as this payment is not continuing in nature but a single payment over and above the normal salary due for the position.”

October 24, 1987

Those employed in a non-teaching position for a minimum of twenty hours per week under Chapter 188 shall become members of the Framingham Retirement System and that an amount equal to the future pension costs incurred because of the federal grant shall be forwarded to the Framingham Retirement System in accordance with the provisions of Chapter 66I of the Acts of 1983.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

November 23, 1987

Educational Increments paid to certain library employees shall not be considered regular compensation for retirement purposes due to the fact that it is a bonus which is not paid to everyone within the department, but only to those who obtain the credits while in the employ of the Town and who are not required to have these credits for their position.

January 7, 1988

A minimum weekly payroll deduction of \$15.00 on a payroll handled through the Town Accountant's office for those individuals who wish to pay a make-up payment in excess of \$300 will be permitted. Such individuals shall have the option of making substantial partial payments. No payroll deductions will be permitted on a make-up payment under \$300.

November 2, 1988

That the amounts received in addition to working supervisor's regular compensation be considered regular compensation for retirement purposes as it is a regular payment and paid to everyone in this type of position covered by the contract.

November 27, 1989

To permit a minimum weekly payroll deduction of \$15.00 for those individuals who wish to pay a make up payment in excess of \$300 on service on or after January 12, 1988. No payroll deductions will be permitted on a make up payment under \$300 nor will payroll deductions be permitted on service prior to January 12, 1988.

March 19, 1991

"That uniform allowance being paid to various departments not be considered regular compensation for retirement purposes as the board is of the opinion that these are reimbursements for expenses or necessary costs of employment."

May 16, 1991

"That temporary full-time employees join the retirement system as of the date of their employment."

August 12, 1991

"To rescind the May 8, 1991 vote that temporary full-time employees join the retirement system on the date of employment."

"That seasonal employees will not be eligible for membership in the retirement system."

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

September 23, 1991

“That training pay which is a percentage of base pay and paid as part of a weekly salary be considered regular compensation for retirement purposes.”

September 9, 1993

That employees of the HUD grant “Secretaries Special Project-School Drop Out Prevention Activity Grant” be eligible for membership in the Framingham Retirement System if employed twenty (20) hours per week and current employees shall continue their membership under this grant.

September 29, 1993

The Hazardous Material Training Stipend, which is 2% of the base salary and is paid once a year in December, shall be considered regular compensation for retirement purposes effective July 1, 1992.

The EMT Pay and Training effective July 1, 1993, which was increased \$250 for an EMT FF in the top step and a payment of \$750 for all other EMT’s be considered regular compensation for retirement purposes.

The Defibrillator Training pay of \$100, which is paid annually, be considered regular compensation for retirement purposes.

May 26, 1994

That the \$50 safe driver award for bus drivers who have been accident free for four years not be included as regular compensation for retirement purposes as it is a bonus. That the \$150 stipend awarded to assistant teachers and secretaries not be included as regular compensation for retirement purposes as it is a one time bonus payment and not of recurring nature.

July 25, 1994

That certified birth certificates, marriage certificates, and death certificates be filed with the Framingham Retirement System in lieu of photostatic copies. If any employee has a copy in their file, the certified record must be filed prior to the receipt of any payments from the Framingham Retirement Board.

May 3, 1995

The stipends being paid on a monthly basis to the Parking Commissioner and the Hearing Officer shall be considered regular compensation for retirement purposes.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

August 16, 1995

That the annual stipend for the superintendents shall be considered a payment in lieu of overtime compensation and therefore, not considered regular compensation for retirement purposes.

January 16, 1996

That the stipend paid to members of the hazardous materials response team be considered regular compensation for retirement purposes.

September 4, 1997

All veterans, eligible under chapter 71 of the acts of 1996, shall have the following options on the purchase of their military time. Payment may be made in a lump sum or through payroll deductions for a period of up to three (3) years. Payment must be received in a lump sum prior to retirement or resignation. Veterans with a legitimate hardship in purchasing their military time through the above methods can request a hearing before the Retirement Board.

December 29, 1997

The Board repealed the following rules, which had previously been approved:

Creditable service of part-time employees shall be prorated as it bears against full time service.

That certified birth certificates, marriage certificates and death certificates be filed with the Framingham Retirement System in lieu of photo static copies. If any employee has a copy in their file, the certified record must be filed prior to the receipt of any payments from the Framingham Retirement Board.

September 3, 2003

An eligible member under Chapter 71 of the Acts of 1996 and Chapter 468 of the Acts of 2002 has the option to make payment to purchase military service credit in a lump sum or through payroll deductions for a period of up to five (5) years.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Richard G. Howarth, Jr.

Appointed Member: Mary Ellen Kelley Term Expires: 06/30/08

Elected Member: Paul F. Barbieri Term Expires: 12/17/08

Elected Member: Peter J. Rovinelli Term Expires: 06/30/07

Appointed Member: Sidney W. Lebewohl Term Expires: 01/15/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$1,000,000 Dishonesty
Elected Member:)	\$50,000,000 Fiduciary
Appointed Member:)	MACRS Policy
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2006.

The actuarial liability for active members was	\$110,922,387
The actuarial liability for retired and inactive members was	<u>130,829,858</u>
The total actuarial liability was	241,752,245
System assets as of that date were	<u>157,611,528</u>
The unfunded actuarial liability was	<u>\$84,140,717</u>
 The ratio of system's assets to total actuarial liability was	 65.2%
As of that date the total covered employee payroll was	\$45,438,514

The normal cost for employees on that date was 8.30% of payroll

The normal cost for the employer was 6.30% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
Rate of Salary Increase: Varies

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2006	\$157,611,528	\$241,752,245	\$84,140,717	65.2%	\$45,438,514	185.2%
1/1/2004	\$148,124,661	\$220,001,215	\$71,876,554	67.3%	\$41,223,092	174.4%
1/1/2002	\$142,892,743	\$206,809,689	\$63,916,946	69.1%	\$42,131,869	151.7%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retirement in Past Years										
Superannuation	19	28	22	29	32	23	20	17	27	36
Ordinary Disability	1	0	1	1	2	0	0	2	1	1
Accidental Disability	3	1	1	2	3	3	3	1	7	2
Total Retirements	23	29	24	32	37	26	23	20	35	39
Total Retirees, Beneficiaries and	776	781	790	800	810	810	810	797	798	799
Survivors										
Total Active Members	1,038	1,093	1,121	1,160	1,165	1,166	1,109	1,128	1,192	1,374
Pension Payments										
Superannuation	\$6,181,683	\$6,546,585	\$6,857,833	\$7,229,425	\$7,567,731	\$7,911,444	\$8,370,799	\$8,638,208	\$9,045,974	\$9,452,046
Survivor/Beneficiary Payments	291,429	290,020	301,442	376,629	476,470	509,148	521,416	543,813	566,203	582,375
Ordinary Disability	210,741	208,086	241,441	266,223	234,641	258,465	250,456	271,031	261,854	249,712
Accidental Disability	1,191,706	1,237,389	1,243,315	1,271,767	1,299,331	1,487,551	1,681,749	1,676,677	1,836,235	1,930,409
Other	<u>712,919</u>	<u>658,823</u>	<u>804,869</u>	<u>933,003</u>	<u>866,729</u>	<u>975,061</u>	<u>972,612</u>	<u>1,030,485</u>	<u>1,134,167</u>	<u>1,110,872</u>
Total Payments for Year	<u>\$8,588,478</u>	<u>\$8,940,903</u>	<u>\$9,448,900</u>	<u>\$10,077,047</u>	<u>\$10,444,903</u>	<u>\$11,141,670</u>	<u>\$11,797,033</u>	<u>\$12,160,215</u>	<u>\$12,844,432</u>	<u>\$13,325,415</u>

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